CABINET 56 (33).

Meeting of the Cabinet to be held at 10, Downing Street, S.W.1, on WEDNESDAY, 24th May, 1933, at 11.0 a.m.

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ADDENDUM TO THE REVISED AGENDA.

Add under Item 1. FOREIGN AFFAIRS:

(c) Persia and the Arms Traffic Convention.

Memorandum by the Secretary of State for Foreign Affairs.

(C.P. 130(33) - to be circulated).

(Signed) M.P.A. HANKEY,
Secretary to the Cabinet.

2, Whitehall Gardens, S.W.1,
23rd May, 1933.
Meeting of the Cabinet to be held at 10 Downing Street, S.W.1, on WEDNESDAY, 24th May, 1933, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS.
   (a) Anglo-Persian Relations.
       (Reference Cabinet 1(33), Conclusion 6).
       Memorandum by the Secretary of State for Foreign Affairs.
       (C.P. 135(33) - already circulated)
   (b) The Proposed Four-Power Agreement for Mutual Co-operation.
       Memorandum by the Permanent Under-Secretary of State, Foreign Office. (Circulated by direction of the Secretary of State for Foreign Affairs).
       (C.P. 138(33) - circulated herewith).

2. REDUCTION AND LIMITATION OF ARMAMENTS. - (If required).
   (Reference Cabinet 35(33), Conclusion 4).

3. MONETARY AND ECONOMIC CONFERENCE.
   (Reference Cabinet 35(33), Conclusion 5).

4. POSITION OF THE TRADE AND EMPLOYMENT COMMITTEE.
   (Reference Cabinet 60(32), Conclusion 6).
   Question to be raised by the Prime Minister.

5. IMPORTS AND EXPORTS PROHIBITIONS CONVENTION.
   Memorandum by the President of the Board of Trade.
   (C.P. 133(33) - already circulated).
6. **Indian Import Duties on Foreign Cotton Goods.**

(Reference Cabinet 6(33), Conclusion 3).

Memorandum by the Secretary of State for India.

(C.P. 137(33) - circulated herewith).

7. **Russian Goods (Import Prohibition) Act, 1933.**

(Reference Cabinet 29(33), Conclusion 1).

Memorandum by the President of the Board of Trade.

(C.P. 132(33) - already circulated).

(Signed) M.P.A. HANKEY,
Secretary to the Cabinet.

2 Whitehall Gardens, S.W.1,

23rd May, 1933.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on WEDNESDAY, 24th May, 1933, at 11.0 a.m.

PRESENT:-

The Right Hon. J. Ramsay MacDonald, M.P.,
Prime Minister.

The Right Hon. Stanley Baldwin, M.P.,
Lord President of the Council.

The Right Hon. Sir John Gilmour, Bt.,D.S.O.,
M.P., Secretary of State for Home Affairs.

The Right Hon. The Viscount Hailsham,
Secretary of State for War.

The Right Hon. J.H. Thomas, M.P., Secretary of State for Dominion Affairs.

The Right Hon. Sir Edward Hilton Young,
G.B.E.,D.S.O.,D.S.C.,M.P.,
Minister of Health.

The Right Hon. Sir Bolten Eyre-Monsell,

Major The Right Hon.
Walter Elliot, M.C.,M.P.,
Minister of Agriculture and Fisheries.

The Right Hon. Neville Chamberlain, M.P.,
Chancellor of the Exchequer.

The Right Hon. The Viscount Sankey, G.B.E.,
Lord Chancellor.

The Right Hon. Sir Samuel Hoare, Bt.,G.B.E.,
C.M.G.,M.P., Secretary of State for India.

The Right Hon. Sir Philip Cunliffe-Lister,
G.B.E.,M.O.,M.P., Secretary of State for the Colonies.

The Right Hon. Walter Runciman, M.P.,
President of the Board of Trade.

The Right Hon. Lord Irwin, K.G.,G.C.S.I.,
G.C.I.E., President of the Board of Education.

The Right Hon. Sir Henry Betterton, Bt.,
C.B.E.,M.P., Minister of Labour.

Major The Right Hon.
W. Ormsby-Gore, M.P.,
First Commissioner of Works.

1. The Prime Minister informed the Cabinet that the Archbishop of Canterbury had received a large number of requests for a National Day of Prayer to be declared on June 11th in connection with the Monetary and Economic Conference. His Grace did not intend to take any formal steps to declare a Day of Prayer, or to issue set forms of prayer, but proposed to issue some statement to the effect that he hoped that on that day Christian citizens, bearing in mind the issue at stake, would pray for Divine guidance for the representatives of the British and other Governments participating. The Archbishop would like to be able to associate the Government in this suggestion.

The Cabinet agreed with the Prime Minister that, whatever might be the personal views of individual members, it was better that an appeal of this kind should be made on purely religious grounds and by the leaders of the Churches, without quoting in support a body, such as the Cabinet, representing political opinion.
2. The Prime Minister informed the Cabinet that he had received that morning a letter, with which were associated between 250 and 300 Members of Parliament, asking for a free vote on an amendment to the Finance Bill standing in the name of Sir George Courthope, designed to secure the repeal of the taxation of land values clauses in the Finance Act of 1931. They claimed that the issues involved bore no relation to the raison d'être of the National Government, and urged that the Government Whips should not be put on when the amendment was discussed. The Prime Minister pointed out that if this proposal was accepted he and the Labour Party section of the Cabinet would be placed in an impossible position, particularly as the amendment followed so soon on the decision on the taxation of Co-operatives.

The Chancellor of the Exchequer informed the Cabinet that he had received a Deputation on this subject. An Opposition newspaper had suggested that, while he had given no assurances to the Deputation, he had given them a strong hint that they should put all the pressure they could on Members of Parliament. This, of course, was devoid of all foundation. He expressed considerable indignation at the unreasonable and unjustified attitude of the Members of Parliament, to whom he had expressed himself in strong terms to the effect that it was not fair to put the Prime Minister and some of his colleagues in this difficult position. He had made three suggestions to the Deputation, which he had invited them to consider among themselves without going back to their Committee. He understood that they had given these suggestions only a few minutes' consideration, and afterwards they had sent a letter demanding a free vote of the
House. To this demand he was strongly opposed. Nevertheless, he could not conceal that if the Government Whips were put on, it might result in bringing the Government's majority down to very small dimensions. This would be awkward at the opening of the Economic Conference.

The Secretary of State for Dominion Affairs suggested that the Members of Parliament who had associated themselves with the letter to the Prime Minister did not realise the danger of upsetting the National Government. In that event there was no doubt that the action taken by the National Government when they came into office would be nullified, with disastrous consequences, by their probable successors.

This view met with unanimous support.

After various suggestions had been considered, the Cabinet agreed —

To accept the proposal that the Lord President of the Council, accompanied by the Chancellor of the Exchequer and any other colleague he might desire, should make an opportunity to see the Members of Parliament in question and bring home to them the importance of maintaining the National Government in office and consequently of avoiding raising questions such as the one referred to, which were calculated to exercise a disintegrating effect. The Lord President should also take advantage of any suitable opportunity to make a statement of the same kind in the House of Commons.
3. The Cabinet had before them a Memorandum by the Secretary of State for Foreign Affairs (C.P.-135 (33)) on the subject of Anglo-Persian Relations, circulated for the information of his colleagues on the eve of his departure for Geneva. The Memorandum reported a satisfactory settlement of the dispute between the Persian Government and the Anglo-Persian Oil Company, with a new concession running until 1993, involving an extension of 30 years beyond the term of the cancelled concession. Attached to the Memorandum was a draft telegram from the King to the Shah of Persia (in response to a suggestion by the British Minister in Tehran, supported by Sir John Cadman), to be sent after the ratification by Persia of the new Anglo-Persian Oil Agreement, expressing His Majesty's pleasure at the successful conclusion of the negotiations. The Memorandum further stated that as the British Minister was coming home on leave this would give an opportunity for a Committee representing the India Office, the Admiralty and the Foreign Office, to go over all the points with him, including the Persian request for the evacuation of Henjam, and to give him definite directions.

The Secretary of State for India reported that as he had some doubts as to the expediency of the proposed telegram from the King to the Shah of Persia, he had had a long talk with the Secretary of State for Foreign Affairs and Sir John Cadman, with the result that he had not felt justified in offering any opposition to the course proposed.
The Prime Minister informed the Cabinet that he had been informed that Sir John Cadman took an extremely favourable view of the Agreement and of the prospects of clearing up the whole Persian situation.
4. The Cabinet had before them a Note by the Permanent Under-Secretary of State for Foreign Affairs (C.P.-138 (33)), circulated by direction of the Secretary of State, to which was attached a telegram from the Secretary of State (at Geneva) in regard to the negotiations for a Four-Power Agreement for Mutual Co-operation, together with an English translation of the latest text drawn up by the Italian Government after discussions with the British and French Ambassadors and also with the German Prime Minister. The crucial Article of this text was No.2, in which a reference was made to Article 10 of the Covenant (territorial integrity), and Article 16 (sanctions), side by side with Article 19 (reconsideration of Treaties). Insistence by the French on the mention of Article 16, in which the German and Italian Governments had now reluctantly acquiesced, placed upon His Majesty's Government the onus of deciding whether they would promote early agreement by accepting this unwelcome reference, which might lead to misrepresentation at home, or whether they would continue to resist the French demand with the consequent risk of a breakdown of the Conference. The Cabinet were asked for an immediate decision in order that instructions might be sent to Geneva.

The Prime Minister pointed out that C.P.-138 (33) had only been circulated late on the previous evening. There had been no time for any proper examination of the issues raised, either by Ministers or their Departments. Notwithstanding the importance of urgency, he could not take the responsibility of inviting the Cabinet to decide so important a question without time for full examination by all concerned. He recalled that in passing through Paris on his way home from Geneva he had warned the French Government
that he could not agree to any proposal which, by linking Article 16 of the Covenant on to Articles 10 and 19, would commit us in any way to a "Gentleman's Agreement" to impose sanctions.

The Prime Minister's view that consideration should be postponed was unanimously accepted by the Cabinet, and the opinion was expressed that the question was one which would be difficult to decide in the absence of the Secretary of State for Foreign Affairs.

The Prime Minister informed his colleagues that he had learned from the Parliamentary Secretary to the Treasury that there was some doubt as to whether the Secretary of State would be able to return in time for the Debate on the Foreign Office Vote arranged for Friday, May 26th.

The Secretary to the Cabinet was instructed to report the views of the Cabinet at once by telephone to the Secretary of State for Foreign Affairs, at Geneva, and to ascertain whether it would be possible for him to return in time for the Debate on the Foreign Office Vote on Friday, May 26th, after which C.P.-138 (33) would be discussed at a Special Meeting of the Cabinet.

Later in the Meeting, after telephoning to Geneva, the Secretary to the Cabinet reported that the Secretary of State for Foreign Affairs was prepared to comply with the suggestion of the Cabinet and that he quite appreciated the desire of his colleagues for further time.

The Cabinet agreed —

That the questions raised in C.P.-138 (33) should be considered at a Special Meeting of the Cabinet to be held on Friday, May 26th, at 4 p.m., in the Prime Minister's Room at the House of Commons.
5. The Secretary to the Cabinet, after telephoning to Geneva, as mentioned in the previous Conclusion, informed the Cabinet that he was requested by the Secretary of State for Foreign Affairs to say that the situation at Geneva today was rather troublesome owing to a speech made at the close of the previous day's discussion by M. Paul-Boncour raising the question of French security. M. Paul-Boncour's attitude had aroused some indignation, especially in the United States Delegation. Mr Norman Davis wished to find some means to call the French to order, and doubted if much could be done unless M. Daladier could be brought to Geneva. This, in Mr Norman Davis's opinion, could only be accomplished if Heads of Governments were to attend the Disarmament Conference. Sir John Simon realised the importance to the Monetary and Economic Conference of the Prime Minister taking the brief rest that had been arranged in the interests of his health, and was using his influence to steady the situation.
6. The Cabinet had before them a Memorandum by the Secretary of State for Foreign Affairs (C.P.-136 (33)) raising an urgent question in connection with the proposed arrangements for the control of arms traffic in the Persian Gulf.

Several Ministers pointed out that the Memorandum in question had only reached them late on the previous evening and there had been no proper time for them to study it themselves, much less to consult their Departments. A suggestion was made that the question should first be considered by the Middle East Committee.

The Cabinet agreed —

(a) That the question raised in C.P.-136 (33) should be referred at once for consideration by the Middle East Committee:

(b) That the Conclusions of the Middle East Committee should be submitted to an early Meeting of the Cabinet.
7. The Prime Minister informed the Cabinet that their Committee had been working continuously on the Draft Agenda Paper, which had now been examined in detail. Agreements had been reached as to the policy to be adopted under each heading. The Conclusions would take the form of Resolutions or Declarations, which were now being drafted. After the Committee had had a further meeting to approve them they would be submitted for the Cabinet's examination and decision. The Cabinet Committee, however, was so representative in character that the Prime Minister anticipated that his colleagues would be able to accept their recommendations.

The Cabinet took note of the Prime Minister's statement.
8. The Cabinet took note of the Seventh Report of the Committee on Economic Information of the Economic Advisory Council (C.P.-131 (33)) entitled "The American Situation and the World Conference", with particular reference to the American departure from the Gold Standard: suggesting that an attempt should be made at the Conference to secure a general agreement for an all-round devaluation of currencies; reciting the essential conditions attaching to such an agreement; and stressing the importance of developing cordial co-operation between Great Britain and the United States.
9. After hearing from the Secretary of State for the Colonies a statement made at the request of the Prime Minister on the position of certain matters that had been under consideration by the Trade and Employment Committee, the Cabinet agreed --

(a) To take note that the question of proceeding with the new Cunard liner is still under consideration between the interested parties.

(b) To take note that the Minister of Transport's Road Programme is being carried out and is giving a good deal of employment; and that local authorities are co-operating satisfactorily in the completion of schemes which had been stopped when severe conditions of trade returned.

(c) That the electrification of the larger main-line railways is not at present considered an economic proposition.

(d) That the Minister of Transport and the Treasury should be authorised to present a statement of what powers are required and what proposals are agreed in order to push on with the electrification of suburban railways, with a view to providing employment in the coming winter, which will be especially important because the heavy expenditure on the "grid" will be diminished.

(e) That the Secretary of State for Scotland should be authorised to work out the legislative powers he would require in order to carry out the Scottish scheme of land settlement, but on the understanding that neither the Chancellor of the Exchequer nor the Cabinet are committed to the scheme.

(f) To take note that the Building Programme in Scotland will soon be ready for consideration by the Committee on Trade and Employment.
Land (g) Drainage.

(Previous Reference: Cabinet 55 (38), Conclusion 6).

To take note that the Minister of Agriculture and Fisheries has ready schemes on Land Drainage, but that for financial reasons these cannot be proceeded with at the present time.
10. The Cabinet had before them a Memorandum by the President of the Board of Trade (C.P.-133 (33)) on the subject of the Imports and Exports Prohibitions Convention, which the Cabinet had decided, at their Meeting mentioned in the margin, should be denounced so as to terminate on June 30, 1933. The possible effect of such action at this particular moment, with the near approach of the Monetary and Economic Conference, impelled the President to revive the question, and after reviewing the arguments for and against withdrawal, which were fairly evenly balanced, his own inclination was to refrain from withdrawing from the Convention on June 30th next.

After discussion the Cabinet agreed —

That formal notice should be given of our intention to denounce the Convention, but it should be explained that this is in order that we may be free to enter into any agreements that may emerge from the Monetary and Economic Conference.
India.

Cotton Duties.

(Previous reference: Cabinet 6 (33), Conclusion 3.)

The Textile Trade.

Japanese Competition.

(Previous reference: Cabinet 31 (33), Conclusion 2.)

F.K.

The Cabinet had before them a Memorandum by the Secretary of State for India (C.P.-137 (33)) relating to a proposal of the Government of India to increase further the duty on cotton piece goods of non-British origin from 50% to 75% ad valorem under the powers conferred by Section 3 (5) of the Indian Tariff Act. This further increase was proposed in order to give the same degree of protection against Japanese competition as that provided by the method of calculation adopted by the Tariff Board in August last, when the Exchange stood at a higher figure. The Secretary of State was convinced that, on political and commercial grounds, a refusal to allow the Government of India to increase these duties would cause serious and possibly irreparable damage.

After hearing a statement from the Secretary of State for India, the Cabinet agreed —

To approve the proposal that the Government of India should be allowed to increase the duties as set forth above, as a continuation of their present policy.
12. The Cabinet had before them a Memorandum by the President of the Board of Trade (C.P.-132 (33)) circulating some notes on the main problems which had arisen in connection with the issue of licences under Section 2 of the Russian Goods (Import Prohibition) Act, and the lines of action which he was following in dealing with them.

The Minister of Health warned the Cabinet that a serious rise had taken place in the price of timber, which might have a serious effect on the Government's Housing Policy. If a further rise took place it might be necessary for him to ask that the Cabinet should consider the matter again.

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